BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF	)	
DELMARVA POWER & LIGHT COMPANY	)	
FOR APPROVAL OF MODIFICATIONS	)	PSC DOCKET NO. 12-419F
TO ITS GAS COST RATES	)	
(FILED AUGUST 31, 2012)	)	

DIRECT TESTIMONY OF PUBLIC UTILITIES ANALYST

ANDREA B. MAUCHER

ON BEHALF OF THE DIVISION OF THE PUBLIC ADVOCATE

March 7, 2013

Q: Please state your name.

A. My name is Andrea B. Maucher.

Q. By whom are you employed and in what capacity?

A: I am a Public Utility Analyst with the Division of the Public Advocate ("DPA").

Q. Please provide a brief outline of your work history.

A. I have been employed by the DPA since October 2010. From June 2001 until October 2010, I was employed at the Public Service Commission, first as a Public Utility Analyst I, then moving into a Planner position working primarily on water and wastewater issues. During my final years at the Commission, I was a Public Utility Analyst III assigned to assist and advise the Commissioners, conduct research and provide analysis of local and regional issues. Before coming to the Commission, I worked as an Environmental Scientist for the Delaware Department of Natural Resources and Environmental Control in the Emergency Planning and Community Right-to-Know Program. Prior to that, I was employed in the private sector working for an environmental emergency response and remediation contractor, then as the waste approval supervisor at a hazardous waste disposal facility.

Q. What is your educational background?

A. I hold a Bachelor of Science degree in Economics from the University of Delaware, and I am presently taking courses at Wilmington University in pursuit of a Masters of Business Administration degree. During my nineteen-year tenure with the State of Delaware, I have attended a number of courses and educational sessions covering a variety of topics from basic ratemaking, advanced regulatory issues, basic mediation and negotiation. I have also attended (both in person and remotely) educational sessions and technical conferences conducted by PJM Interconnection LLC (the regional transmission organization that administers the wholesale power market in which Delaware participates), the Federal Energy Regulatory Commission, the National Association of State Utility Consumer Advocates, the National Regulatory Research Institute, the Mid-Atlantic Distributed Resource Initiative, and others on a wide range of energy, natural gas, water, and telecommunications issues.

Q. What was your assignment in this docket?

A. I was assigned to review the application (the "Application") of Delmarva Power & Light Company ("Delmarva" or the "Company") for a change in its GCR rates and provide my recommendations with respect to the Application.

Q: Did the DPA retain a consultant in this case?

A: Yes. The DPA engaged the services of Ms. Andrea Crane of the Columbia Group to examine a potential issue involving the Company's calculation of its lost and unaccounted for gas percentage.

Q. Was this testimony prepared by you or under your supervision and direction?

A. Yes. Ms. Crane was subject to my supervision and direction in examining the lost and unaccounted for gas issue. She provided me with her conclusions, which I have incorporated into this testimony.

Q: Please provide a short description of the Company's Application.

A: On August 31, 2012, Delmarva filed its 2012-2013 Gas Cost Rate application with the Commission as required by, and in compliance with, the Company's tariff. In its application, the Company seeks to adjust the volumetric GCR commodity rates charged to customers taking service under rate classifications Residential Gas ("RG"), General Gas ("GG"), Gas Lighting ("GL"), and non-electing Medium Volume Gas ("MVG").[1] Delmarva also seeks in this Application to revise the demand charge for customers taking natural gas under its Large Volume Gas ("LVG"), electing and non-electing MVG, and Standby service classifications. Finally, the Company proposes a true-up of the actual versus estimated monthly commodity cost rates for LVG and electing MVG customers.

Below is a comparison of the current and the proposed commodity and demand charges for the various service classifications.

Service Classification	**Current GCR Commodity Charge**	**Proposed GCR Commodity Charge**	**Current GCR Demand Charge**	**Proposed GCR Demand Charge**
RG, GG, GL	$0.88804/ccf	**$0.68967/ccf**	n/a	n/a
Non-electing MVG	$7.1740/Mcf	**$5.1051/Mcf**	$11.0936/Mcf*	**$11.6589/Mcf***
Electing MVG and LVG	Varies	**Varies**	$11.0936/Mcf*	**$11.6589/Mcf***
Standby Service	n/a	n/a	$11.0936/Mcf*	**$11.6589/Mcf***

* of billing Maximum Daily Quantity ("MDQ"), defined by the Company's tariff as "the greatest amount of gas delivered to the Customer during any day (10:00 a.m. to 10:00 a.m., E.S.T. and E.D.S.T.) of the current billing month."

[1] Prior to August 1 of each year, an MVG customer must elect whether to be charged a monthly or an annual Commodity Cost Rate during the upcoming Application Period. Once such election has been made, the customer is unable to change until the next Application Period.

Q. What action has the Commission taken on this Application?

A. As is its practice, the Commission, by Order No. 8217 (Sep. 18, 2012), permitted the proposed rates to become effective on November 1, 2012, with proration and subject to refund at the conclusion of evidentiary hearings and a formal decision.

Q. What is the predicted impact of the GCR adjustments on customers?

A: As shown in the table above, customers under Service Classifications RG, GG, and GL will see a decrease in the per ccf GCR rate of $0.19837, or slightly more than 22%. Thus, residential space heating customers using 120 ccf in one month will experience a decrease of $23.80 in the GCR portion of their bills. In terms of such customers' total bills, the overall impact should be a decrease of approximately 14.4%. Depending on specific winter usage and load characteristics, customers under Service Classification GG should see decreases from 12.7 to 16.8%, and non-electing MVG customers will experience decreases from 22.7% to 23.2%. Customers under Service Classification LVG should expect winter bills to be from 20% to 25% lower than under present rates.[2]

Q: Please summarize your recommendations with respect to the Company's Application.

A: As a result of my review of the Company's Application, extensive discovery, and participation on multiple conference calls, including quarterly hedge calls, I offer the following recommendations:

[2] Pre-filed Testimony of Delmarva Witness James B. Jacoby, pages 11-12

- The Commission should approve, as final and without modification, the GCR rates approved on a temporary basis in PSC Order No. 8217. These rates were derived in accordance with the Company's approved natural gas tariff, and there do not appear to have been any errors or omissions in the rate calculations. The Company's Application contains a detailed description of how it derived the proposed rates, and I will not repeat it here.

- Since the last GCR proceeding (PSC Docket No. 11-381F), Delmarva has not changed or modified the methodologies used to calculate the GCR rates, nor do I recommend any changes to those methodologies.

- I believe that the Company is complying with the terms of the Settlement Agreement approved by the Commission in Order No. 8203 (Aug, 21, 2012):

(a) the Company has hosted quarterly meetings to discuss its natural gas hedging program, asset management, and other issues raised by the Company and participating parties. Such meetings have been productive and I recommend they continue;

(b) the Settlement Agreement made reference to a GCR credit resulting from an issue the Interface Management Units ("IMUs") deployed in the Company's service territory. Based upon the Company's response to discovery,[3] I believe the situation has been resolved to the benefit of consumers and is no longer an issue;

(c) in the Application, Delmarva Witness Collacchi discusses the Company's plans to achieve the natural gas usage reductions set forth in 26 *Del. C.* §1502. I recommend the Company continue its participation in stakeholder working groups, as well as continue to provide its customers with conservation information. I also recommend the Company provide updates to the parties during the quarterly meetings, but I do not believe formal discussion in future GCR

[3] See PSC 1-44 where Witness Collacchi responds, "There was no unrecorded usage due to non-recording interface management units during the period August 2011 to October 2012."

filings is needed. When, and if, Delmarva offers formal energy conservation or efficiency programs, additional information may become necessary.

- Delmarva's Budget Billing program is voluntary which some customers may find beneficial, while others may have no interest. The DPA asked several discovery questions regarding the Budget Billing Program and, based on the responses received, I believe the Company is adequately informing customers of the program's existence and should continue to keep their customers informed of the offering. However, I respectfully submit that future GCR filings need not include discussions of the program.

- As stated previously, in concert with Ms. Crane, I have reviewed the Company's natural gas procurement and hedging plans, as well as the practical results from the implementation of those plans. I have concluded that the Company's current hedging plan is working well, and I recommend continuation of the quarterly calls with the Company where the parties have the opportunity to discuss program modifications that may be warranted as conditions in natural gas markets change.

- During the discovery phase of the proceeding, the parties identified a number of tariff corrections, none of which impact the proposed rates or rate calculations. Delmarva has a natural gas base rate case pending before the Commission (PSC Docket No. 12-546, filed Dec. 7, 2012), and has indicated that it will seek approval of the identified tariff changes in that proceeding. I concur that a comprehensive package of tariff changes is more efficient than pursuing the changes in this proceeding, and further note that the DPA's intervention in the base rate case assures that the necessary tariff changes will be pursued.

- Delmarva Witness Brielmaier discusses in his pre-filed testimony a change to the factor for Lost and Unaccounted For Gas ("LAUF"). Because of the unique situation with this adjustment, the DPA sought expert analysis from its consultant. Based upon discovery responses and discussions with the Ms. Crane and Delmarva, I recommend that the Commission accept the Company's proposed increase in the LAUF factor from 2% to 3%, and also approve the proposed GCR credit and associated interest adjustment. Additionally, I recommend the Company provide regular updates regarding the on-going monitoring and negotiations, as well as provide detailed analysis in its next GCR filing.

Q: Please provide further explanation regarding your LAUF recommendations.

A: As the name implies, LAUF is the difference between what natural gas is purchased by the Company and what is consumed by, or billed to, its customers. Typically, the "missing" quantity is due to meter discrepancies or losses due to leaks in the distribution system.[4] In its prior GCR filing, the Company used a 2% LAUF factor which it now proposes to increase to 3%.

Q: What has the Company stated is the reason for changing the LAUF factor?

A: As described in Mr. Brielmaier's testimony, during the second quarter of 2012, the Company began an investigation into a growing disparity between gas system sendout and billed sales. Significantly increased gas flows to a large volume gas (LG) customer occurring around the same time led the Company to undertake a more detailed examination of the relationship between this customer's flow and system sendout. Mr. Brielmaier notes that past LAUF evaluations were focused on the entire gas distribution system, and not on any specific pipeline segment. However, the LG customer is a transportation only customer (meaning it purchases its

[4] Mr. Brielmaier states on page 6 of his testimony that the primary reason for LAUF in this case is due to metering differences, and concludes that "physical loss is not a factor as Delmarva compiles regular gas leak surveys and pipeline surveillance on a continuous basis."

own gas supply) served by a pipeline segment coming from the Ridge Road Gate Station thereby making the task of isolating the customer's usage, and corresponding losses, more straightforward.

Q: What is Delmarva's suggested resolution to this matter?

A: Historically, the LG customer was required to deliver 100% of its gas requirements to that gate station; however, with focused LAUF calculations on the pipeline segment, Delmarva began requiring delivery of 101.5% of the LG customer's supply on July 1, 2012. With subsequent analysis, the required delivery was reduced to 101.0% effective October 1, 2012. Since Delmarva now monitors the pipeline serving the LG customer apart from the rest of the system, it calculates the LAUF applied to retail sales by subtracting the LG customer's gas, adjusted for its LAUF factor, from total gas receipts. The balance is considered to be the gas available for retail customers with any losses recouped through the LAUF factor assigned to firm service customers.

Q: Do you believe the Company's proposed resolution is reasonable?

A: Yes. Ms. Crane has indicated in our discussions about this matter that the process Delmarva has adopted for calculating the LAUF for the LG customer and for retail customers is reasonable; however, Ms. Crane also stresses the importance of properly calculating the LG customer's LAUF factor since it directly impacts the LAUF factor applied to retail customers. If the LAUF gas attributable to the LG customer is understated, retail customers will be paying too much; conversely, if it is overstated, retail customers will not be paying their true cost of service.

Delmarva has indicated that monitoring of the LG customer's LAUF will continue semi-monthly, which appears to be a reasonable interval.

Q: Please discuss your recommendation that the Commission also accept the Company's proposed credit, with related interest, to the GCR.

A. Based on its analysis, the Company estimates that from August 2010 through June 2012 GCR customers were charged for gas losses that could be directly traced to the LG customer. Delmarva has presented the LG customer with its calculations and states it is currently in discussions regarding recovery of these costs. In recognition of the overpayments made by its retail customers, the Company has applied a significant credit to the GCR in this application, as well as corresponding interest on the credited amount. I believe this is a practical interim measure, pending a final resolution between Delmarva and the LG customer. It is my expectation that the Company will provide updated information on its negotiations as it becomes available. As stated previously, future discussions as well as the next GCR filing must also include detailed information on all LAUF calculations to ensure GCR customers pay no more, and no less, than their cost of service.

Q: Has the Company made any recent filings with the Commission regarding GCR rates?

A: Yes. On February 25, 2013, Delmarva filed a letter seeking a waiver of the requirement in its natural gas tariff to file for an increase in its GCR rates if, at any time during the Application Period, the rates then in effect produce an undercollection of natural gas costs exceeding 6%.[5]

Q: What does Delmarva predict will be its position, under rates placed into effect on November 1, 2012?

A: According to the Company, gas consumption from November 2012 through January 2013 was appreciably lower than initial projections, primarily because of above normal temperatures at the start of the current GCR period. While reduced purchases for sendout has helped to offset some of this loss in sales, the underrecovery projected for October 31, 2013 will be slightly higher than the 6% limitation prescribed by the tariff.

Q: Please explain the rationale behind Delmarva's waiver request.

A. In its waiver request, the Company states that it does not believe that an interim increase in GCR rates would be in the best interests of its customers for the following reasons:

- any request for an increase is unlikely to be approved by the Commission until after the end of the heating season when natural gas consumption begins declining, and thus would do little to help remedy the underrecovery;

- an interim rate change request would have little impact by the end of the current GCR period - October 31, 2013 - since an interim increase is set to collect the underrecovery during the upcoming twelve month period;

[5] See Section XX.D of the Delmarva Natural Gas Tariff, available at http://www.delmarva.com/_res/documents/GASMasterTariff.pdf

- the time, effort and expense for the Commission, Commission Staff, the DPA, and Delmarva in pursuing an interim rate change to collect a fraction of one percent is not justified at this time.

Q: What is your recommendation regarding the Company's waiver request?

A: I support Delmarva's request and the Commission's approval of Delmarva's waiver request granted at its Match 5, 2013 meeting.

Q: Does this conclude your testimony?

A: Yes, it does.